

Service Date: December 7, 1990

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

In the Matter of the Application)	
of PACIFICORP for authority to)	
(1) borrow the proceeds of not)	
more than \$90,000,000 of Pol-)	UTILITY DIVISION
lution Control Revenue Refunding)	
Bonds to be issued by Emery)	DOCKET NO. 90.11.80
County, Utah and Lincoln County,)	
Wyoming, (2) enter into such)	DEFAULT ORDER NO. 5519
agreements or arrangements with)	
the Counties and with other)	
entities as may be reasonably)	
necessary to effect the borrow-)	
ings and to provide credit)	
enhancement for the Refunding)	
Bonds, and (3) replace or modify)	
from time to time the credit)	
enhancement arrangements)	
supporting the Refunding Bonds.)	

On November 20, 1990, PacifiCorp (Company), a corporation organized and existing under and by virtue of the laws of the State of Oregon and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 69-3-507, MCA, requesting an order authorizing the Company to (1) borrow the proceeds of not more than \$90,000,000 of Pollution Control Revenue Refunding Bonds (Refunding Bonds) to be issued by the Counties of Emery, Utah, and Lincoln, Wyoming (Counties), (2) enter into such agreements or arrangements with the Counties and with other entities as may be reasonably necessary to effect the borrowings and to provide credit enhancement for the Refunding Bonds, and (3) replace or modify from time to time the credit enhancement arrangements supporting the Refunding Bonds.

The borrowings will be in connection with the refunding of two series of outstanding Utah Power & Light Company pollution control revenue bonds (Prior Bonds) that were issued in April 1981 to

finance certain air and water pollution control and solid waste disposal facilities at the Hunter and Huntington plants in Emery County, Utah and the Naughton plant in Lincoln County, Wyoming.

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of the Company's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 2701 Prospect Avenue, Helena, Montana, on December 3, 1990, there came before the Commission for final action the matters and things in Docket No.90.11.80. and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. PacifiCorp is a corporation organized and existing under and by virtue of the laws of the State of Oregon and is qualified to transact business in the State of Montana.

2. PacifiCorp is operating as a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric service in Montana.

3. Pursuant to a Plan of Reorganization and Merger, as amended, PacifiCorp, a Maine corporation, and Utah Power & Light Company, a Utah corporation, merged with and into the Company. The Company was incorporated under Oregon law in August 1987 for the purpose of facilitating consummation of the merger and changing the state of incorporation of PacifiCorp from Maine to Oregon. At the time of the merger, the Company changed its name to PacifiCorp. The Company uses the assumed business name of either Pacific Power & Light Company or Utah Power & Light Company within their respective service territories located in the states of Oregon,

Utah, Washington, Idaho, Wyoming, Montana and California.

4. The Commission has jurisdiction over the subject matter of the application under Section 69-3-102, MCA.

5. Notice of the application was published as a part of the Commission's regular weekly agenda.

6. The Counties will issue the Refunding Bonds. The Company will enter into an agreement with each of the Counties pursuant to which it will receive the proceeds of such issuance and agree to make payments sufficient to pay principal of, interest on, and premium (if any) on the Refunding Bonds, and to cover certain additional expenses. The aggregate principal amount of the Refunding Bonds will not exceed \$90,000,000. In order to achieve a lower cost of money, the Company also expects to enter into one or more agreements with unrelated third parties, such as commercial banks or insurance companies, to provide further assurance to the purchasers of the Refunding Bonds that the principal of, the interest on, and the premium (if any) on the Refunding Bonds will be paid timely.

7. The borrowings will be in connection with the refunding of the Prior Bonds, which were issued by the Counties to finance the Company's Hunter, Huntington and Naughton plants' (Plants) air and water pollution control and solid waste disposal facilities (Facilities). The Prior Bonds are not refundable until April 1, 1991. The Facilities consist principally of systems to remove and finally dispose of particulates and sulfur dioxide from flue gases and certain solid wastes. They are designed for the purpose of abating or controlling atmospheric and water pollutants or contaminants.

8. To accomplish this refinancing, the Company will apply the gross proceeds from the appropriate issuance of Refunding Bonds to the redemption and cancellation of the aggregate principal amount of the Prior Bonds. Because the Prior Bonds have a redemption premium of 3.0%, this amount (including the costs of issuance) will be funded from sources other than the proceeds of the Refunding Bonds. The Company expects to cause the Prior Bonds to be called within 90 days of the issuance of the Refunding Bonds as required by law.

9. The Refunding Bonds will be issued pursuant to Indentures

of Trust between the Counties and trustees. Pursuant to agreements between the Counties and the Company, the proceeds from the sale of the Refunding Bonds, other than refundable accrued interest, will be loaned to the Company to refund the Prior Bonds, and thereby refinance the Facilities. Under the agreements, the Company will be obligated to pay absolutely and unconditionally, to the extent sufficient funds are not already in the possession of the trustee, the principal of, the interest on, and the premium (if any) on the Refunding Bonds as well as certain fees and expenses of the Counties. Under no circumstances will the Refunding Bonds and their related costs become an obligation of the Counties.

10. To achieve a lower cost of money, the Company may enter into reimbursement agreements, guarantees, pledges, or other security agreements or arrangements to assure timely payment of amounts due in respect of the Refunding Bonds. For example, a letter of credit may be added in order to support the Refunding Bonds.

In connection with a letter of credit, the Company would enter into a reimbursement agreement under which a bank would issue a letter of credit to support payments in respect of the Refunding Bonds. Under the reimbursement agreement, the Company would be required to reimburse each bank for any drawings under its letter of credit. Amounts advanced by a bank under a letter of credit are expected to bear interest based upon various short-term rates. The Company expects that any letter of credit bank will have a long-term credit rating not less than AA and a short-term credit rating of A-1/P-1. In the event a letter of credit is obtained, it is expected to have an initial term of five years unless extended by mutual consent of the bank and the Company or replaced by the Company with another letter of credit or an alternative credit enhancement arrangement.

The fees associated with the credit enhancement arrangement are not expected to exceed 0.50 percent per annum. The Company believes, and its experience in previous tax-exempt financings confirms, that the interest savings from enhancing the credit support for the Refunding Bonds will exceed the cost of the letter of credit or alternative credit arrangements; that is, the effective cost of the Refunding Bonds will be lowered by the credit

enhancement arrangements.

11. Over the life of the Refunding Bonds, it may be necessary or desirable to replace one or more letters of credit or alternative credit enhancement arrangements from time to time as, for example, the credit ratings of the various banks (and thus the Company's interest costs) fluctuate or market rates for letters of credit change. The Company therefore requests authority to substitute, as necessary or desirable from time to time, letters of credit or other credit enhancement arrangements for letters of credit or other credit enhancement arrangements then in effect with respect to the Refunding Bonds.

12. While the Refunding Bonds have a nominal long-term maturity, the obligation will have a "put" feature which enables the holder to tender the bonds at par within a short notice period. The Refunding Bonds will be marketed with one or more put frequencies, including, but not limited to, daily, weekly and monthly puts. Because of the put feature, investors are indifferent to the final maturity of the instrument; as a result, the Refunding Bonds may be structured with the longest maturity justified by the underlying assets being financed while obtaining rates reflective of short maturities.

13. In view of the put feature, the Company will enter into an agreement with a remarketing agent who will agree in advance to seek new purchasers for the Refunding Bonds on a best-efforts basis if and when the bonds are put. To satisfy the investment criteria of potential purchasers, the Company expects to arrange for a letter of credit or insurance contract as a source of credit support and liquidity. For example, a letter of credit will provide amounts required to purchase tendered Refunding Bonds which have not been successfully remarketed immediately, as well as amounts required for payment of scheduled interest and principal at maturity or through acceleration. The Refunding Bonds not immediately remarketed may thereafter be sold to other investors.

14. The Refunding Bonds' structure may include the selection of one of several tax-exempt market rate pricing modes including pricing modes as short as daily and as long as annually. The Refunding Bonds may also include an option to convert to a fixed rate mode. The pricing mode selection will depend upon a number of

factors, including expectations as to which mode offers the lowest relative rates at the time of issuance. During the time the Refunding Bonds carry a floating rate, the bonds would be prepayable at par plus accrued interest at the end of any interest rate period.

15. The underwriting fee will not exceed 0.50 percent of the principal amount of the Refunding Bonds. The annual remarketing fee is not expected to exceed 1/8 of 1.00 percent of the principal amount of the Refunding Bonds.

16. The results of the offering are expected to be as follows:

ESTIMATED RESULTS OF THE FINANCING*

Proceeds from Refunding Bonds	\$90,000,000
Redemption Premium (3.00%)	\$ 2,700,000
Issuance Costs:	
Underwriters Fees (0.50%)	450,000
Other Expenses	380,000
Total Costs of the Refunding	\$ 3,530,000

OTHER EXPENSES

Regulatory Agency Fees	\$ 110
Trustee Fees	25,000
Company Counsel Fees	60,000
Underwriters' Counsel Fees	100,000
Accountants' Fees	30,000
Credit Enhancement Fees (other than annual fee)	40,000
Rating Agency Fees (S&P and Moody's only)	40,000
Printing Fees	50,000
Miscellaneous	34,890
TOTAL	\$380,000

*As the financing proposed is a special purpose financing, the interest on which is exempt from taxation to the holder, the proceeds may be used only to refinance the principal amount of the Prior Bonds issued to finance the Facilities. All issuance costs and redemption premium associated with the Refunding Bonds must be derived from other capital sources of the Company.

17. The net proceeds of the borrowings will be used to refund Prior Bonds currently outstanding that were issued previously to finance Facilities at the Plants.

18. The proposed borrowings are a part of an overall plan to finance the cost of the Company's facilities taking into consider-

ation prudent capital ratios, earnings coverage tests, and market uncertainties as to the relative merits of the various types of securities the Company could sell.

19. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any issuance-related ratemaking issues which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS OF LAW

1. The proposed borrowings to which the application relates will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.

2. The proposed credit enhancement arrangements will be for lawful objects within the corporate purposes of the Company.

3. The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp, filed on November 20, 1990, for authority to borrow the proceeds of not more than \$90,000,000 of Pollution Control Revenue Refunding Bonds to be issued by Emery County, Utah, and Lincoln County, Wyoming, pursuant to Section 69-3-501 through 69-3-507, MCA, and to use the proceeds for normal utility purposes, is approved.

2. The application of PacifiCorp to enter into such agreements or arrangements with the Counties and with other entities as may be reasonably necessary to effect the borrowings and pursuant to which the Company would assume obligations as guarantor, surety or otherwise with respect to the payment of the principal of, the interest on, and the premium (if any) on the Refunding Bonds and to enter into such agreements or arrangements as may be necessary to enhance the credit quality of the Refunding Bonds is approved.

3. The application of PacifiCorp to replace or modify from time to time the credit enhancement arrangements supporting the Refunding Bonds is approved.

4. PacifiCorp shall file the following as they become available:

- a) The "Report of Securities Issued" required by 18 CFR 34.10.

- b) Verified copies of any agreement entered into in connection with the borrowings pursuant to this order.
- c) Verified copies of any credit support arrangement entered into pursuant to this order.
- d) A verified statement setting forth in reasonable detail the disposition of the proceeds of the borrowings made pursuant to this order.

5. Issuance of this order does not constitute acceptance of PacifiCorp exhibits or other material accompanying the application for any purpose other than the issuance of this order.

6. Approval of the transaction authorized shall not be construed as precedent to prejudice any further action of the Commission.

7. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp pursuant to the provisions of this order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

8. This order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 3rd day of December, 1990, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

WALLACE W. "WALLY" MERCER, Commissioner

JOHN B. DRISCOLL, Commissioner

REX MANUEL, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.